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336.786 Montana Tax Policy  
T14irm Task Force  
1996 Interim report  
of the Montana Tax  
Policy Task Force  
SB 417

INTERIM REPORT OF THE  
MONTANA TAX POLICY TASK FORCE

SB 417

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Interim report of the Montana Tax Policy



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## **Interim Report of the Montana Tax Policy Task Force**

The Montana Tax Policy Task Force has now met three times. The first meeting was held in Bozeman, in conjunction with the Wheeler Conference, on September 8 and 9, 1995; the second meeting was held in Helena, on October 13 and 14, 1995. The third meeting of the Montana Tax Policy Task Force was held January 12 and 13 in the State Capitol Building, Helena, Montana. During that meeting the task force decided that it would be appropriate to release a report of actions taken and recommendations considered in order to provide for informed public comment at the next, and perhaps final, meeting scheduled for April 12 and 13, also in Helena. This report provides a discussion of the findings, actions taken, and recommendations discussed by the task force thus far.

### **Background**

The Montana Tax Policy Task Force was created by SB417, 1995 Legislative Session. That legislation provides for the following:

The task force is to:

- a) study all aspects of taxation in Montana;
- b) make findings regarding the burden of state and local taxation borne by:
  - 1) various segments of the state's economy, and by
  - 2) various categories of individual taxpayers.

The task force is to consider, but not limit itself to:

- a) the existing sources and levels of taxation (with particular attention paid to the classification of property and the taxable percentages applied to that property), and an evaluation of the sources and levels of taxation;
- b) the relationship between federal income tax laws and state income tax laws, and the impact of federal tax laws on the state;
- c) the relative portion of the total amount of taxes that is collected from each segment of the business community, and each category of individual taxpayer;
- d) the impact of state and local taxation on economic development;
- e) the relationship between taxes and the revenue needs of the state and local governments;
- f) the relationship between tax burden, ability to pay, and benefits received from government;
- g) alternative methods of taxation from existing sources as well as new sources of revenue, and an evaluation of the alternative methods and new sources; and
- h) funding for local governments, other than public schools.

Based on the findings from the above, the task force is to develop recommendations, alternatives, or both, for 2-year, 10-year, and 25-year tax policy strategies for Montana.

The task force is to solicit the knowledge and advice of economists, tax policy experts, representatives of tax reform coalitions, local governments, small business organizations, large industries, agriculture, the Montana Chamber of Commerce, appropriate state agencies, and the general public.

In reviewing local government funding, the task force shall study:

- a) the current sources of funding for local governments;
- b) the continued viability of current funding sources;
- c) the need for additional or alternative funding sources;
- d) the financial and funding restraints currently imposed on local governments;
- e) the challenges facing local governments in providing traditional services in the future;
- f) the need for more flexibility in meeting future financial challenges;
- g) the ability of local governments to meet their budget requirements in the future; and
- h) other issues related to local government finances.

The task force is allocated to the Department of revenue for administrative purposes only, as provided in 2-15-121.

Composition of the task force:

- a) eight members appointed by the Governor (broadly representative of taxpayer groups, business and industry, labor organizations, local government, and consumers of governmental services;
- b) four members of the House of Representatives (two from each party, appointed by the speaker of the House);
- c) four members of the Senate (two from each party, appointed by the Committee on Committees).

Members must be appointed and designated no later than July 15, 1995. The task force shall elect its presiding officer.

The task force shall meet for the first time no later than September 15, 1995; and at the request of the presiding officer thereafter.

The task force shall submit its findings and recommendations to the Governor and the Legislature on or before October 1, 1996.



## Task Force Recommendations: 2-Year Tax Policy Strategy

During the second meeting of the Task Force, subcommittees were established to examine three areas of immediate concern: 1) property tax relief, 2) options and alternatives to aid in the funding of local governments, and 3) principles of taxation that should be used to guide the Legislature in its decisions regarding taxation policy. The following recommendations are based on the findings of these subcommittees, and subsequent discussion of these issues by the full task force, and represent the task force's recommendations to satisfy the need for an immediate two-year tax policy strategy.

### *Principles of Taxation*

The task force believes that sound tax policy should be driven by fundamental, underlying principles of taxation. Current and future efforts to reform Montana's tax system should be grounded in principles of tax policy that are appropriate to the specific circumstances of our state. To this end, the task force recommends that the Legislature adopt the following principles of taxation as guidelines for determining the appropriateness of current and future tax policy proposals.

1. **Adequacy and Stability of Revenue.** A "good" tax system should produce adequate revenue to fund governmental services and activities in a stable and predictable manner without the constant need for revisions in the tax base or tax rates. The tax system should make use of a wide variety of revenue sources with the widest possible bases and, within a reasonable range, should not generate more revenue than is required to meet government obligations. With respect to planning budgets and developing expenditure policies, state and local governments may want a smooth and predictable growth in tax revenues that roughly corresponds to growth in personal income or to an anticipated rate of growth in expenditure levels.
2. **Equity:** A "good" tax system should be fair, both to individual citizens and to businesses operating in the state. There are two concepts associated with the equity criterion - the "benefits received principle" and the "ability to pay principle". The benefits received principle states that those who enjoy the benefits of goods and services provided by government should bear the burden of taxation in proportion to the amount of benefits received. This principle links the expenditure and revenue sides of the budget, and also links tax burdens with benefits derived from government. Under the ability to pay principle the amount of taxes, or level of tax burden, should be related to an individual's ability to pay based on economic well-being. This principle implies both *horizontal equity* (persons with roughly equal economic capacity paying about the same amount in taxes) and *vertical equity* (persons with greater economic capacity paying more taxes). Vertical equity is measured in terms of whether the tax is progressive, proportional, or regressive according to whether tax liabilities rise, are constant, or fall as a proportion of income, as income rises.

3. **Economic Neutrality or Efficiency.** A "good" tax system should not unnecessarily or unintentionally interfere with private economic decisions in the marketplace. It should, however, be competitive with the tax systems used in other states in efforts to promote economic growth and stability.
4. **Simplicity.** A "good" tax system should be as simple as possible for both the taxpayer and the tax collector. It should be easy for taxpayers to understand and for government to administer. Regarding personal income and corporation taxes, total conformity with federal taxes may further enhance simplicity but severely limit flexibility in implementing state tax policy objectives.

### *Property Tax Relief*

The task force finds the need to address property tax relief to be of immediate paramount importance. To address this issue, the task force adopted SB421, 1995 Legislative Session, as the vehicle best suited to achieve property tax relief under a two-year tax policy strategy. The original intent of SB421 was to "put teeth back into the property tax freeze brought about through Initiative Measure 105" (1986 general election).

After reviewing the legislation debated during the 1995 session, the subcommittee, in conjunction with the full task force, has recommended that the 1997 Legislature consider enacting a bill similar to SB421. The task force has recommended several changes to the originally introduced legislation in order to make the bill clearer and more administrable. The task force recommends legislation that would accomplish the following general goals:

- 1) the amount of total property taxes levied by any taxing unit or jurisdiction could not exceed the amount levied for tax year 1996;
- 2) for any taxing unit, this limitation would not prohibit an increase in total property taxes due to increases in taxable valuation from new construction, expansion, or remodeling of improvements of class 4 (residential, farmstead, and commercial) property;
- 3) this limitation would not prohibit an increase in total property taxes levied by a taxing unit to compensate for reductions in the 1996 level of nonlevy revenue received from certain coal, oil, and natural gas revenue sources;
- 4) this limitation would not prohibit increases in the *taxable valuations* of taxing units, or in the *tax liability* of individual properties;
- 5) this limitation is intended to leave the current property appraisal and valuation methodology of the Department of Revenue intact;
- 6) this limitation applies to all taxing jurisdictions, with the single exception of the

general fund of elementary and high school districts that have a general fund budget less than the base budget;

- 7) this limitation does not prevent increases in the amount of taxes levied by a taxing unit if increases are approved by the electorate of the taxing unit; and
- 8) this limitation requires that taxing units, including the state, reduce mill levies in response to taxable valuation increases in order to meet the requirement that property taxes levied do not exceed those levied in tax year 1996.

The task force recognizes that, while this recommendation would cap the total amount of taxes levied by a given *taxing unit*, it does not prohibit or prevent the possibility of large property tax increases for owners of *individual properties*. The committee has addressed and grappled with this issue on several occasions, without arriving at a recommendation of how to address this problem. At this time, the issue of protection from large property tax increases for owners of individual properties continues to be a focal point of task force discussion and deliberation.

### *Options for Local Governments*

The task force recommends the following local option tax changes as part of the two-year policy strategy.

1. Current law allows county governments, by a vote of the electorate, to levy a countywide tax of up to \$0.02 per gallon on motor fuel for the construction, maintenance, or repair of public streets and roads. This levy has never been approved, although there have been at least three attempts by counties to do so. The concern expressed was that there often arises a very localized need for repair or construction within the county that requires a vote of all of the electorate of the county, and consequently the vote fails because the benefit to be derived is localized.

*Recommendation: Allow for a local option motor fuels taxing authority to be comprised of a "transportation district" that could include the county, a single municipality, or a combination of county and municipal areas.*

2. Under the current resort tax laws, resort communities (incorporated cities and towns) are allowed to borrow funds against the proceeds of the resort tax, but unincorporated resort areas are not. The concern expressed was that not being able to bond against the proceeds of resort area taxes greatly reduces the effectiveness of this tax, particularly in situations in which the resort area intends to use the tax for substantial, immediate infrastructure development (e.g., community sewer or water systems).



*Recommendation: Allow unincorporated resort areas to issue bonds backed by anticipated resort tax revenues.*

3. Under current law, resort taxes are authorized for resort communities (incorporated cities and towns) or for resort areas (unincorporated areas). Allowing a resort tax to be applied in an area that was comprised of a combination of an incorporated city along with an unincorporated area would provide for greater flexibility in the use of the resort tax.

*Recommendation: Allow a resort tax area to include both incorporated and unincorporated areas.*

4. Under current law the use of the resort tax is limited to specific communities that satisfy the requirements of being a "resort" area. Generally, this means that the major portion of the community's economic well being must be derived from "businesses catering to the recreational and personal needs of persons traveling to or through the area for purposes not related to their income production". This precludes most Montana communities from qualifying for resort tax status, which is contrary to the notion of allowing local governments an optional revenue source to offset the impact of capping their property taxes.

The task force discussed whether municipalities should be allowed authority to implement a local option *general* sales tax, or if the option should provide for levying a "resort type" tax only (restricted to certain types of goods and services). Several arguments were made in opposition to allowing a general sales tax; the most notable, perhaps, being that allowing local governments the option of levying a general sales tax could lead to extreme difficulty in ever being able to pass and approve a statewide general sales tax. Consequently, the task force's final recommendation restricts the ability to levy a local sales tax to a "resort type" sales tax only.

*Recommendation: Allow all Montana municipalities, upon approval of the electorate, the option of levying a "resort type" sales tax.*

The above ideas constitute the task force's preliminary recommendations for a two-year tax policy strategy proposal. Final recommendations will be forthcoming following the opportunity for public comment from local government officials, taxpayers, the business community, and other interested parties, at the meeting scheduled for the 12th and 13th of April, 1996.

### Longer Term Tax Reform

The task force has not had time to fully develop longer term tax policy strategies, although several ideas pertaining to longer term tax reform have been offered and discussed. This



section discusses some of the general recurring themes considered essential by the task force for comprehensive, long-term tax reform for the State of Montana.

First, any comprehensive tax reform proposal should result in overall, statewide revenue neutrality.

Second, it is the task force's belief that high and burgeoning property tax bills are the primary source of taxpayer discontent in the state today. Property tax reform in the form of providing protection from large tax increases for individual property tax owners, or in the form of significantly reducing the current property tax burden, is an essential element of comprehensive reform.

In this regard several options have been discussed including:

- 1) eliminating the current reappraisal cycle until alternative comprehensive tax reform can be achieved;
- 2) providing residential property tax relief by allowing a credit against individual income taxes roughly equivalent to any property tax increase due to reappraisal;
- 3) eliminating the current 95 statewide mills levied for state equalization aid of schools; and
- 4) requiring the state to fully fund 80% of each school district's general fund budget to enhance equalization and reduce property tax burdens.

Third, it is the view of the task force that future, comprehensive tax reform that results in substantial reductions in property and/or income tax can only be accomplished through the implementation of a statewide general sales tax in the state's mix of taxes. Only a statewide general sales tax has the revenue capacity to provide replacement revenues sufficient to accommodate significant reductions in either property or income taxes. This is particularly true in light of the precipitous decline in natural resource tax revenues witnessed over the course of the past decade.

Finally, during the course of its deliberations the task force has gained a deep appreciation of the intricacies and complexities surrounding the issues inherent in comprehensive, as well as incremental, tax reform. Neither the funding, staffing, nor the services of expert witnesses provided through SB417 were sufficient for the task force to complete its assigned mission. The task force could meet only four times, given the \$15,000 in total funding allocated under the bill; and no funds were available to contract for analyses or studies of the complex issues relating to reform that could be provided only by expert witnesses.

The task force believes that additional work and study of tax reform is essential to any future efforts to achieve meaningful legislation. It recommends that the Legislature continue this work by providing for an adequately staffed and funded task force that can continue this process. The task force also recommends that future efforts begin by including grass roots, citizen-taxpayer participation from the beginning of the process. For only through widespread citizen participation can there be hope of making reform understandable and attainable.

Respectfully submitted:

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Senator Gerry Devlin  
Chairman

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Senator Mike Foster  
Vice-Chairman

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Senator Barry "Spook" Stang  
Secretary/Treasurer

## Members of the Montana Tax Policy Task Force

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## APPENDIX A





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February 15, 1996

TO: Montana Tax Policy Task Force

FROM: Jeff Martin, Legislative Research Analyst *JM*

SUBJECT: Revised bill draft

Judy Paynter, Department of Revenue, requested that I review the bill draft prepared by Dennis Burr for style and content and make changes to the draft if necessary. Enclosed for your review is the result of that effort.

I did not highlight the changes in this version, but I will describe them to you. Except in one instance described below, I hope I have not made significant policy changes other than those agreed upon by the Task Force. I made several minor changes in style throughout. These changes are consistent with Legislative Services Division's Bill Drafting Manual. I also added clarifying language to the title related to Department of Revenue duties and added language to the "Declaration of policy" (section 1).

Substantive changes were made in section 3 of the bill (15-10-412). At the end of subsection (2)(b), related to the exceptions to the limitation on the amount of taxes levied, I added the phrase "classified under 15-6-134". This change addresses a Department concern about the allocation of utility property. The change would also, coincidentally, exclude from the exception class five new industrial real property.

In subsections (7)(a) and (7)(b), dealing with voter approval of a tax increase (policy change), I added at the end of each method the requirement that the taxing unit must specify the duration of the tax increase. The new language does not limit the duration of the tax change, but it does require that taxpayers be fully informed about the implication of the vote.

At the request of Dennis Burr, I added a new subsection (9). This subsection would prohibit a taxing unit that receives a reimbursement under 15-1-112 from increasing mill levies associated with a loss in taxable value because of the reduced tax rates for class eight personal property under 15-6-138. Senate Bill No. 417 (Ch. 570, L. 1995) provided for a phased-in reduction of the tax rate applied to class eight property and for a reimbursement payment to a taxing unit to offset the loss of taxable value.

I revised the former new subsection (9) (now subsection 10). Subsection (10)(a) requires that a taxing unit must lower mill levies to account for increases in taxable value resulting from cyclical reappraisal. Subsection (10)(b) directs the Department of Revenue to adjust statewide school levies and the university levy for increases in taxable value resulting from cyclical reappraisal.

An internal reference in 15-36-323 to 15-10-412(10) requires that 15-36-323 be added to the draft. Other "housekeeping" items include a saving clause and a retroactive applicability date. The saving clause is probably overkill, but I thought something was required especially for the amendments to 90-5-112. An applicability section may be more appropriate, e.g., "This act applies to proceedings begun after the effective date . . . ."

I did not address the elimination of exceptions to the property tax freeze (new subsection (6) in 15-10-412), such as RSIDs, SIDs, bonded indebtedness, judgments against a taxing unit, etc. However, I believe that the Task Force would be well served to discuss these issues at the public hearing in April. If some or all of these erstwhile exceptions are added back, then other stricken language must be restored.

I would recommend that 15-10-402 be repealed. The provisions in that section, as amended in the bill draft, could easily be added to 15-10-412.

The revised bill draft has not been formally reviewed by Legislative Services Division staff, and it may contain inadvertent errors. Any bill draft that the Task Force considers cannot be formally reviewed until a bill draft request is submitted to the Legislative Services Division.

Enc.

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1 A Bill for an Act entitled: "An Act amending the property tax  
2 limitations implementing initiative measure no. 105 by changing  
3 the exceptions to the limitations; providing that property taxes  
4 are capped at 1996 levels; providing that the electors of a  
5 taxing unit may authorize mill levies that exceed the limitations  
6 of Title 15, chapter 10, part 4, MCA; requiring the department of  
7 revenue to adjust certain mill levies; amending sections 7-6-  
8 2514, 15-10-401, 15-10-402, 15-10-412, 15-36-323, and 90-5-112,  
9 MCA; repealing section 15-10-411, MCA; and providing an immediate  
10 effective date and a retroactive applicability date."  
11

12 Be it enacted by the Legislature of the State of Montana:

13 Section 1. Section 15-10-401, MCA, is amended to read:

14 "15-10-401. Declaration of policy. (1) The state of  
15 Montana's reliance on the taxation of property to support  
16 education and local government has placed an unreasonable burden  
17 on the owners of ~~classes three, four, six, nine, twelve, and~~  
18 ~~fourteen~~ all classes of property, ~~as these classes are defined~~  
19 described in Title 15, chapter 6, part 1.

20 ~~(2) The legislature's failure to give local governments and~~  
21 ~~local school districts the flexibility to develop alternative~~  
22 ~~sources of revenue will only lead to increases in the tax burden~~  
23 ~~on the already overburdened property taxpayer.~~

24 ~~(3) The legislature is the appropriate forum to make the~~  
25 ~~difficult and complex decisions to develop:~~

26 ~~(a) a tax system that is fair to property taxpayers; and~~

27 ~~(b) a method of providing adequate funding for local~~

1 ~~government and education.~~

2 ~~(4) The legislature has failed in its responsibility to~~  
3 ~~taxpayers, education, and local government to relieve the tax~~  
4 ~~burden on property classes three, four, six, nine, twelve, and~~  
5 ~~fourteen.~~

6 ~~(5)(2)~~ The people of the state of Montana declare it is the  
7 policy of the state of Montana that no further property tax  
8 increases be imposed on property ~~classes three, four, six, nine,~~  
9 ~~twelve, and fourteen~~ as provided in 15-10-412."

10  
11 Section 2. Section 15-10-402, MCA, is amended to read:

12 "15-10-402. Property tax limited to ~~1986~~ 1996 levels. (1)  
13 Except as provided in ~~subsections (2) and (3)~~ 15-10-412, the  
14 amount of taxes levied on property described in ~~15-6-133, 15-6-~~  
15 ~~134, and 15-6-136~~ may not, for any taxing jurisdiction, exceed  
16 the amount levied for taxable tax year ~~1986~~ 1996.

17 ~~(2) The limitation contained in subsection (1) does not~~  
18 ~~apply to levies for rural improvement districts, Title 7, chapter~~  
19 ~~12, part 21, special improvement districts, Title 7, chapter 12,~~  
20 ~~part 41, elementary and high school districts, Title 20, juvenile~~  
21 ~~detention programs authorized under 7-6-502, or bonded~~  
22 ~~indebtedness.~~

23 ~~(3) New construction or improvements to or deletions from~~  
24 ~~property described in subsection (1) are subject to taxation at~~  
25 ~~1986 levels.~~

26 ~~(4) As used in this section, the "amount of taxes levied"~~  
27 ~~and the "amount levied" mean the actual dollar amount of taxes~~

~~imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."~~

Section 3. Section 15-10-412, MCA, is amended to read:

"15-10-412. Property tax limited to 1986 1996 levels -- ~~clarification~~ ~~extension to all property classes~~ exceptions ~~-- duties of the department~~. Section 15-10-402 is ~~interpreted and~~ clarified implemented as follows:

~~(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.~~

~~(2)~~ (1) The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as otherwise provided in this section, the ~~actual tax liability for an individual property total amount of taxes levied by each taxing unit~~ is capped at the dollar amount ~~due~~ levied in each taxing unit for the 1986 1996 tax year. ~~In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit for the 1985 tax year~~ The governing body of a taxing unit shall adjust mill levies to compensate for any increase in taxable valuation to insure that

1 taxes levied do not exceed the amount levied in 1996.

2 ~~(3)~~ (2) The limitation on the amount of taxes levied does  
3 not prohibit ~~a further~~ an increase in the total ~~taxable valuation~~  
4 of taxes levied by a taxing unit as a result of:

5 (a) annexation of real property and improvements into a  
6 taxing unit;

7 (b) construction, expansion, or remodeling of improvements  
8 classified under 15-6-134;

9 (c) transfer of property into a taxing unit;

10 (d) subdivision of real property;

11 (e) reclassification of property;

12 (f) increases in the amount of production or the value of  
13 production for property described in 15-6-131 or 15-6-132;

14 (g) transfer of property from tax-exempt to taxable status,  
15 ~~or~~

16 ~~(h) revaluations caused by:~~

17 ~~(i) cyclical reappraisal; or~~

18 ~~(ii) expansion, addition, replacement, or remodeling of~~  
19 ~~improvements.~~

20 (3) The limitation on the amount of taxes levied does not  
21 prohibit an increase in the total taxes levied by a taxing unit  
22 in order to compensate the taxing unit for any loss in the total  
23 amount of nonlevy revenue received in 1996 from taxes imposed  
24 under Title 15, chapter 23, part 7, and Title 15, chapter 36,  
25 part 3.

26 (4) The limitation on the amount of taxes levied does not  
27 prohibit a further increase in the taxable valuation of the



1 ~~taxing unit~~ or in the actual tax liability on individual property  
2 ~~in each class as a result of:~~

3 ~~—— (a) a revaluation caused by:~~

4 ~~(i) construction, expansion, replacement, or remodeling of~~  
5 ~~improvements that adds value to the property; or~~

6 ~~(ii) cyclical reappraisal;~~

7 ~~(b) transfer of property into a taxing unit;~~

8 ~~(c) reclassification of property;~~

9 ~~—— (d) increases in the amount of production or the value of~~  
10 ~~production for property described in 15-6-131 or 15-6-132;~~

11 ~~—— (e) annexation of the individual property into a new taxing~~  
12 ~~unit; or~~

13 ~~—— (f) conversion of the individual property from tax exempt~~  
14 ~~to taxable status.~~

15 ~~(5) Property in class four is valued according to the~~  
16 ~~procedures used in 1986, including the designation of 1982 as the~~  
17 ~~base year, until the reappraisal cycle beginning January 1, 1986,~~  
18 ~~is completed and new valuations are placed on the tax rolls and a~~  
19 ~~new base year designated, if the property is:~~

20 ~~—— (a) new construction;~~

21 ~~—— (b) expanded, deleted, replaced, or remodeled improvements;~~

22 ~~—— (c) annexed property; or~~

23 ~~—— (d) property converted from tax exempt to taxable status.~~

24 ~~(6) Property described in subsections (5) (a) through (5) (d)~~  
25 ~~that is not class four property is valued according to the~~  
26 ~~procedures used in 1986 but is also subject to the dollar cap in~~  
27 ~~each taxing unit based on 1986 mills levied.~~

1       ~~(7)~~ (5) The limitation on the amount of taxes, as clarified  
2 in this section, is intended to leave the property appraisal and  
3 valuation ~~methodology~~ methodologies of the department of revenue  
4 intact. Determinations of county classifications, salaries of  
5 local government officers, and all other matters in which total  
6 taxable valuation is an integral component are not affected by  
7 15-10-401 and 15-10-402, ~~except for the use of taxable valuation~~  
8 ~~in fixing tax levies. In fixing tax levies, the taxing units of~~  
9 ~~local government may anticipate the deficiency in revenues~~  
10 ~~resulting from the tax limitations in 15 10 401 and 15 10 402,~~  
11 ~~while understanding that regardless of the amount of mills~~  
12 ~~levied, a taxpayer's liability may not exceed the dollar amount~~  
13 ~~due in each taxing unit for the 1986 tax year unless:~~

14       ~~(a) except as provided in subsection (8) (a), the taxing~~  
15 ~~unit's taxable valuation decreases by 5% or more from the 1986~~  
16 ~~tax year. If a taxing unit's taxable valuation decreases by 5% or~~  
17 ~~more from the 1986 tax year, it may levy additional mills to~~  
18 ~~compensate for the decreased taxable valuation, but the mills~~  
19 ~~levied may not exceed a number calculated to equal the revenue~~  
20 ~~from property taxes for the 1986 tax year in that taxing unit.~~

21       ~~(b) a levy authorized under Title 20 raised less revenue in~~  
22 ~~1986 than was raised in either 1984 or 1985, in which case the~~  
23 ~~taxing unit may, after approval by the voters in the taxing unit,~~  
24 ~~raise each year thereafter an additional number of mills but may~~  
25 ~~not levy more revenue than the 3 year average of revenue raised~~  
26 ~~for that purpose during 1984, 1985, and 1986.~~

27       ~~(c) a levy authorized in 50 2 111 that was made in 1986 was~~

1 ~~for less than the number of mills levied in either 1984 or 1985,~~  
2 ~~in which case the taxing unit may, after approval by the voters~~  
3 ~~in the taxing unit, levy each year thereafter an additional~~  
4 ~~number of mills but may not levy more than the 3 year average~~  
5 ~~number of mills levied for that purpose during 1984, 1985, and~~  
6 ~~1986.~~

7 ~~(8) (a) Except as provided in subsection (8) (b), if a~~  
8 ~~taxing unit has levied additional mills under subsection (7) (a)~~  
9 ~~to compensate for a decrease in taxable valuation, it may~~  
10 ~~continue to levy additional mills to equal the revenue from~~  
11 ~~property taxes for the 1986 tax year when the taxing unit's~~  
12 ~~taxable valuation is greater than 95% but less than 100% of the~~  
13 ~~taxing unit's taxable valuation in tax year 1986.~~

14 ~~(b) When the taxable valuation of a taxing unit that levied~~  
15 ~~additional mills under subsection (7) (a) or (8) (a) is equal to or~~  
16 ~~greater than the taxing unit's taxable valuation in tax year~~  
17 ~~1986, it may not levy additional mills to compensate for a~~  
18 ~~subsequent decrease in taxable valuation unless the conditions of~~  
19 ~~subsection (7) (a) are satisfied.~~

20 ~~(9) (6) The limitation on the amount of taxes levied does~~  
21 ~~not apply to the following levy or special assessment categories,~~  
22 ~~whether or not they are based on commitments made before or after~~  
23 ~~approval of 15 10 401 and 15 10 402:~~

24 ~~(a) rural improvement districts,~~  
25 ~~(b) special improvement districts,~~  
26 ~~(c) levies pledged for the repayment of bonded~~  
27 ~~indebtedness, including tax increment bonds,~~

1       ~~(d) city street maintenance districts,~~  
2       ~~(e) tax increment financing districts,~~  
3       ~~(f) satisfaction of judgments against a taxing unit,~~  
4       ~~(g) street lighting assessments,~~  
5       ~~(h) revolving funds to support any categories specified in~~  
6 ~~this subsection (9),~~  
7       ~~(i) levies for economic development authorized pursuant to~~  
8 ~~90-5-112(4),~~  
9       ~~(j) levies authorized under 7-6-502 for juvenile detention~~  
10 ~~programs,~~  
11       ~~(k) levies authorized under 76-15-531 and 76-15-532 for~~  
12 ~~conservation district special administrative assessments,~~  
13       ~~(l) elementary and high school districts, and~~  
14       ~~(m) voted poor fund levies authorized under 53-2-322~~  
15 general fund of elementary and high districts that have a general  
16 fund budget less than the BASE budget under 20-9-308.

17       ~~(10)~~ (7) The limitation on the amount of taxes levied does  
18 not apply in a taxing unit if the voters in the taxing unit  
19 approve an increase in tax liability mill levies following a  
20 ~~resolution of the governing body of the taxing unit containing~~  
21 under one of the following methods:

22       (a) If the laws governing the taxing unit or a particular  
23 fund of the taxing unit specifically allow for a vote of the  
24 electorate to impose mill levies or to change mill levies, then  
25 mill levies may be imposed or increased after approval of the  
26 electorate of the taxing unit. Unless the law providing for the  
27 vote on the tax provides a time period, the resolution must



1 provide for the duration of the imposition or change in the mill  
2 levy.

3 (b) If the taxing unit or a particular fund of the taxing  
4 unit does not have a statutory basis for holding an election on  
5 whether to impose or to change a mill levy, the governing body of  
6 the taxing unit may refer the question of whether to impose or to  
7 change the mill levy to the electorate of the taxing unit. The  
8 resolution must provide for the duration of the imposition or  
9 change in the mill levy. The resolution must contain:

10 (i) a finding that there are insufficient funds to  
11 adequately operate the taxing unit or applicable governmental  
12 function as a result of 15-10-401 and 15-10-402 the limitations  
13 of this part;

14 ~~(b) an explanation of the nature of the financial~~  
15 ~~emergency;~~

16 ~~— (c) an estimate of the amount of funding shortfall expected~~  
17 ~~by the taxing unit;~~

18 ~~— (d) a statement that applicable fund balances are or by the~~  
19 ~~end of the fiscal year will be depleted;~~

20 ~~— (e) (ii) a finding that there are no alternative sources of~~  
21 ~~revenue; and~~

22 ~~(f) a summary of the alternatives that the governing body~~  
23 ~~of the taxing unit has considered; and~~

24 ~~(g) (iii) a statement of the need for the increased revenue~~  
25 ~~and how it will be used.~~

26 ~~(11) (a) The limitation on the amount of taxes levied does~~  
27 ~~not apply to levies required to address the funding of relief of~~

1 ~~suffering of inhabitants caused by famine, conflagration, or~~  
2 ~~ether public calamity.~~

3 ~~(b) The limitation set forth in this chapter on the amount~~  
4 ~~of taxes levied does not apply to levies to support:~~

5 ~~(i) a city county board of health as provided in Title 50,~~  
6 ~~chapter 2, if the governing bodies of the taxing units served by~~  
7 ~~the board of health determine, after a public hearing, that~~  
8 ~~public health programs require funds to ensure the public health.~~  
9 ~~A levy for the support of a local board of health may not exceed~~  
10 ~~the 5 mill limit established in 50 2 111.~~

11 ~~(ii) county, city, or town ambulance services authorized by~~  
12 ~~a vote of the electorate under 7 34 102(2); and~~

13 ~~(iii) a rail authority, as provided in Title 7, chapter 14,~~  
14 ~~part 16, authorized by a board of county commissioners. A levy~~  
15 ~~for the support of a rail authority may not exceed the 6 mill~~  
16 ~~limit established in 7 14 1632.~~

17 ~~(12)~~ (8) The limitation on the amount of taxes levied by a  
18 taxing jurisdiction subject to a statutory maximum mill levy does  
19 not prevent a taxing jurisdiction from increasing its number of  
20 mills beyond the statutory maximum mill levy to produce revenue  
21 equal to its ~~1986~~ 1996 revenue.

22 ~~(13) The limitation on the amount of taxes levied does not~~  
23 ~~apply to a levy increase to repay taxes paid under protest in~~  
24 ~~accordance with 15 1 402.~~

25 ~~(14) A taxing jurisdiction that included special improvement~~  
26 ~~district revolving fund levies in the limitation on the amount of~~  
27 ~~taxes levied prior to April 22, 1993, may continue to include the~~

1 ~~amount of the levies within the dollar amount due in each taxing~~  
2 ~~unit for the 1986 tax year even if the necessity for the~~  
3 ~~revolving fund has diminished and the levy authority has been~~  
4 ~~transferred.~~

5 (9) If a taxing unit receives a reimbursement payment under  
6 15-1-112, then the taxing unit may not increase mill levies to  
7 compensate for a loss in taxable valuation associated with  
8 reducing the tax rate in 15-6-138.

9 (10)(a) When each revaluation cycle takes effect pursuant  
10 to 15-7-111, mill levies must be reduced in order to compensate  
11 for an increase in taxable valuation, for reasons other than  
12 those described in subsection (2), in a taxing unit as a result  
13 of cyclical reappraisal.

14 (b) If a mill levy is fixed by law or if it may not  
15 otherwise be adjusted in the discretion of the governing body of  
16 the taxing unit, the department shall adjust the mill levy, as  
17 specified in this subsection (b), to compensate for an increase  
18 in taxable valuation resulting from cyclical reappraisal. The  
19 department is authorized to adjust statewide mill levies imposed  
20 under 15-10-106 and 20-9-360 and county equalization mill levies  
21 imposed under 20-9-331 and 20-9-333. The department shall notify  
22 the local government of the new mill levy by the statutory date  
23 for setting mill levies."

24  
25 Section 4. Section 7-6-2514, MCA, is amended to read:

26 "7-6-2514. Tax limitation applicable. The property tax  
27 limitation ~~to 1986 levels~~ under Title 15, chapter 10, part 4,

1 applies to the county public safety levy authorized in 7-6-2513.  
The limitation is determined by the total tax levied for the  
3 county general fund. The first year a county public safety tax is  
4 levied, the public safety levy and the general fund levy may not  
5 exceed the prior year's county general fund levy. In subsequent  
6 years, any increases in the public safety levy and the general  
7 fund levy are limited under Title 15, chapter 10, part 4."

8  
9 Section 5. Section 15-36-323, MCA, is amended to read:

10 "15-36-323. (Effective January 1, 1996) Calculation of  
11 unit value. For the purposes of distribution of oil and natural  
12 gas production taxes to county and school taxing units for  
13 production from pre-1985 wells, the department shall determine  
14 the unit value of oil and natural gas for each taxing unit as  
follows:

16 (1) Subject to the conditions of subsection (3), the unit  
17 value for oil for each taxing unit is the quotient obtained by  
18 dividing the net proceeds taxes calculated on oil produced and  
19 sold in that taxing unit in calendar year 1988 by the number of  
20 barrels of oil produced in that taxing unit during 1988,  
21 excluding post-1985 wells.

22 (2) Subject to the conditions of subsection (3), the unit  
23 value for natural gas is the quotient obtained by dividing the  
24 net proceeds taxes calculated on natural gas produced and sold in  
25 that taxing unit in calendar year 1988 by the number of cubic  
26 feet of natural gas produced in that taxing unit during 1988,  
27 excluding post-1985 wells.



(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a financial emergency, as described in 15-10-412(10), as that subsection read on December 31, 1996, for which additional mills were levied in fiscal year 1990."

Section 6. Section 90-5-112, MCA, is amended to read:

"90-5-112. Economic development levy. (1) The governing body of a city, county, or town ~~is authorized to~~ may levy up to 1 mill upon the taxable value of all the property in the city, county, or town subject to taxation for the purpose of economic development. The governing body ~~may~~ shall:

~~(a) submit the question of the mill levy to the qualified voters voting in a city, county, or town election, or~~

~~(b) approve the mill levy by a vote of the governing body.~~

(2) Funds derived from this levy may be used for purchasing land for industrial parks, constructing buildings to house manufacturing and processing operations, conducting preliminary feasibility studies, promoting economic development opportunities in a particular area, and other activities generally associated with economic development. These funds may not be used to directly assist an industry's operations by loan or grant or to pay the salary or salary supplements of government employees.

(3) The governing body of the county, city, or town may use the funds derived from this levy to contract with local development companies and other associations or organizations capable of implementing the economic development function.



1           (4) A tax authorized by a vote of the electorate, as  
2 provided in subsection (1)~~(a)~~, may be levied for a period not to  
3 exceed 6 years ~~and is not subject to the provisions of Title 15,~~  
4 ~~chapter 10, part 4.~~"

5  
6           NEW SECTION. Section 7. {standard} Repealer. Section 15-10-  
7 411, MCA, is repealed.

8  
9           NEW SECTION. Section 8. {standard} Saving clause. [This  
10 act] does not affect rights and duties that matured, penalties  
11 that were incurred, or proceedings that were begun before [the  
12 effective date of this act].

13  
14           NEW SECTION. Section 9. {standard} Effective date --  
15 retroactive applicability. [This act] is effective on passage  
16 and approval and applies retroactively, within the meaning of 1-  
17 2-109, to tax years beginning after December 31, 1996.

18  
19                               -END-

20       { }

## APPENDIX B



## Appendix B

## FISCAL YEAR 1996 LOCAL OPTION VEHICLE FEE

COUNTY	OPTION IN PLACE	RATE	USED FOR
BEAVERHEAD	YES	.5	Road equipment
BIG HORN	NO	N/A	
BLAINE	NO	N/A	
BROADWATER	YES	.5	General fund; district court
CARBON	YES	.5	General fund
CARTER	YES	.5	50% to county; 50% to county & city based on population
CASCADE	YES	.5	All district court functions
CHOUTEAU	YES	.5	General fund
CUSTER	YES	.5	District court
DANIELS	YES	.5	District court
DAWSON	YES	.4	Funding general government
DEER LODGE	NO	N/A	
FALLON	NO	N/A	
FERGUS	YES	.5	n/a
FLATHEAD	YES	.25	District court
GALLATIN	YES	.5	General fund and library
GARFIELD	YES	.5	General government
GLACIER	YES	.5	64% general fund; 36% district court
GOLDEN VALLEY	YES	.25	General fund; Town of Rygate; Town of Lavina
GRANITE	NO	N/A	
HILL	YES	.5	General fund; road fund; and possibly district court
JEFFERSON	YES	.5	50% general fund; 50% district court
JUDITH BASIN	YES	.5	General fund
LAKE	YES	.25	District court and general fund
LEWIS AND CLARK	YES	.5	District court
LIBERTY	YES	.5	Various funds and the Town of Chester
LINCOLN	YES	.5	General fund and district court
MADISON	NO	N/A	
MCCONE	NO	N/A	
MEAGHER	YES	.5	General fund
MINERAL	YES	.5	Distributed to countywide levies for general government
MISSOULA	YES	.5	District court, general fund, road, bridge, museum
MUSSELSHELL	YES	.5	50% district court; 50% Roundup and Melstone based on population
PARK	YES	.25	Sheriff's car; fairground bleachers; phone system; police car; park supplies for Clyde Park
PETROLEUM	NO	N/A	
PHILLIPS	NO	N/A	
PONDERA	YES	.5	Undecided
POWDER RIVER	YES	.5	District court
POWELL	YES	.5	Various funds
PRAIRIE	YES	.5	General fund
RAVALLI	YES	.5	District court, general fund, road fund
RICHLAND	NO	N/A	
ROOSEVELT	YES	.5	General fund
ROSEBUD	NO	N/A	
SANDERS	NO	N/A	
SHERIDAN	YES	.5	District court and general fund
SILVER BOW	YES	.5	District court
STILLWATER	NO	N/A	
SWEET GRASS	YES	.5	General fund
TETON	YES	.5	District court
TOOLE	NO	N/A	
TREASURE	YES	.5	Maintain current services
VALLEY	YES	.5	Capital projects
WHEATLAND	YES	.5	District court and general fund; City of Harlowton, Town of Judith Gap
WIBAUX	NO	N/A	
YELLOWSTONE	YES	.25	Public safety





## APPENDIX C



## Description of Current Resort Community Taxes

Data available as of:

02-Jan-96

Area	Incorp. City?	Start Date	Rate	In Effect	Duration	Items Specifically Included In Tax Base	Current Annualized Revenues	Current Property Tax Relief	Resort Tax Used For
Big Sky	NO	June, 1992	3%	Year-Round	20 Years	Luxuries; hotels, motels, oth. lodging; restaurants, fast food stores, oth. food service; taverns, bars, etc. serving liquor by the drink; destination ski resorts, oth. dest. recreational facilities	\$1,150,000	Not Applicable	Infrastructure facilities in the Big Sky Resort Area; public services (post office in particular); ambulance and oth. emergency medical serv.; public trans.; snow plowing; tourism development
St. Regis	NO	Feb, 1993	3%	Year-Round	20 Years	Luxuries; hotels, motels, oth. lodging; restaurants, fast food stores, oth. food service; taverns, bars, etc. serving liquor by the drink; destination recreation facilities; ice; fountain beverages.	\$115,500	Not Applicable	Infrastructure facilities; currently being used primarily for new sewer system
Virginia City	YES	May, 1991	3%	May - Oct	20 Years	Luxuries; hotels, motels, oth. lodging; restaurants, fast food stores, oth. food service; taverns, bars, etc. serving liquor by the drink; establishments that charge an admission fee	\$50,000	5%	Advertising - 15% Property Tax Relief - 5% Merchant's Collection Fee - 5% Any activity, undertaking, or adm. serv. that the municipality is authorized by law to perform - 75%
W. Yellowstone	YES	Jan, 1986	3%	Year-Round	20 Years	Luxuries; hotels, motels, oth. lodging; restaurants, fast food stores, oth. food service; taverns, bars, etc. serving liquor by the drink	\$1,200,000	5%	Property Tax Relief - 5% Merchant's Collection Fee - 5% Any activity, undertaking, or adm. serv. that the municipality is authorized by law to perform - 90%
Whitefish	YES	Feb, 1996	2%	Year-Round	20 Years	Luxuries; hotels, motels, oth. lodging; restaurants, fast food stores, oth. food service; taverns, bars, etc. serving liquor by the drink; destination recreation facilities.	n/a	25%	Bicycle Paths; Parks - 5% Property Tax Relief - 25% Infrastructure - 65% Merchant's Collection Fee - 5%
Red Lodge*	YES	Jan, 1991	2%	Year-Round	10 Years	Lodging (except for rent in excess of 30 days); served food; alcoholic beverages by the drink; gift and luxury items, or other items normally sold to transient visitors or tourists	Not Applicable	10%	Advertising and Promotion - 25% Property Tax Relief - 10% General Fund - 60% Merchant's Collection Fee - 5%

\*Red Lodge shown for information purposes only; resolution failed.

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## APPENDIX D





## Appendix D

MTA

House BILL NO. 606

INTRODUCED BY

~~Samuel S. Swanson~~ ~~Fuchs~~ ~~Mike Murdock~~

BY REQUEST OF THE HOUSE TAXATION COMMITTEE

~~Sam Nelson~~ ~~Helen~~

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR AN OPTIONAL LOCAL GOVERNMENT TAX ON THE SALE OF LUXURIES; PROVIDING A DEFINITION OF LUXURIES; PROVIDING THAT THE TAX RATE MAY NOT EXCEED 3 PERCENT; PROVIDING THAT THE TAX MAY NOT BE IMPOSED WITHOUT THE APPROVAL OF THE ELECTORATE OF THE LOCAL GOVERNMENT IMPOSING THE TAX; PROVIDING FOR COORDINATION AND DISTRIBUTION OF REVENUE OF THE TAX WHEN A COUNTY AND MUNICIPALITIES IN THE COUNTY BOTH LEVY THE TAX; AND PROVIDING AN EFFECTIVE DATE."

WHEREAS, law now limits the kinds of taxes that local communities may impose; and

WHEREAS, a one-size-fits-all system of taxation ignores the different needs and resources of Montana communities; and

WHEREAS, local taxpayers desire greater control as determined by a vote; and

WHEREAS, a "luxury" sales tax, as defined by law, has been enacted in several resort communities and areas; and

WHEREAS, property tax relief is desired by many Montanans.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Definitions. As used in [sections 1 through 7], the following definitions apply:

(1) "Governing body" means the governing body of a local government.

(2) (a) "Luxuries" means any gift item, luxury item, or other item normally sold to the public or to transient visitors or tourists.

(b) The term does not include food purchased unprepared or unserved, medicine, medical supplies and services, appliances, hardware supplies and tools, or any necessities of life.

(3) "Medical supplies" means items that are sold to be used for curative, prosthetic, or medical maintenance purposes, whether or not prescribed by a physician.

(4) "Medicine" means substances sold for curative or remedial properties, including both physician-prescribed and over-the-counter medications.

NEW SECTION. Section 2. Local option luxuries tax authority -- specific delegation. As required by 7-1-112, [sections 1 through 7] specifically delegate to the electors of each respective county, consolidated city-county government, incorporated city, and incorporated town the power to authorize their local government, within its boundaries, to impose a local option luxuries tax as provided in [sections 1 through 7].

NEW SECTION. Section 3. Limit on local option luxuries tax rate -- goods and services subject to tax. (1) The rate of the local option luxuries tax must be established by the election petition or resolution provided for in [section 4], but the rate may not exceed 3%.

(2) (a) The local option luxuries tax is a tax on the retail value of all goods and services sold within the local government jurisdiction by the following establishments:

- (i) hotels, motels, and other lodging or camping facilities;
  - (ii) restaurants, fast-food stores, and other food service establishments;
  - (iii) taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink;
  - [(iv) agency liquor stores, except when sold to a retail licensee for the purpose of resale;] and
  - (iv) destination ski resorts and other destination recreational facilities.
- (b) Establishments that sell luxuries shall collect a tax on the luxuries.

NEW SECTION. Section 4. Local option luxuries tax -- election required -- procedure. (1) A local government may not impose or, except as provided in [section 5 or 6], amend or repeal a local option luxuries tax unless the local option luxuries tax question has been submitted to the electorate of the local government and approved by a majority of the electors voting on the question.

(2) The local option luxuries tax question may be presented to the electors by a petition of the electors as provided by 7-1-4130, 7-5-132, and 7-5-134 through 7-5-137 or by a resolution of the governing body of the local government.

(3) The petition or resolution referring the taxing question must state:

(a) the rate of the local option luxuries tax;

(b) the duration of the local option luxuries tax;

(c) the date when the local option luxuries tax becomes effective, which date may not be earlier than 35 days after the election; and

(d) the purposes that may be funded by the local option luxuries tax revenue.

(4) Upon receipt of an adequate petition or upon adoption of a resolution, the governing body may:

(a) call a special election on the local option luxuries tax question; or

(b) have the local option luxuries tax question placed on the ballot at the next regularly scheduled election.

(5) The question of the imposition of a local option luxuries tax may not be placed before the electors more than once in any fiscal year.

NEW SECTION. Section 5. Local option luxuries tax administration. (1) Not less than 30 days prior to the date on which the local option luxuries tax becomes effective, the governing body shall enact an administrative ordinance governing the collection and reporting of the local option luxuries taxes. This administrative ordinance may be amended at any time that is necessary to effectively administer the local option luxuries tax.

(2) The administrative ordinance must specify:

(a) the times that local option luxuries taxes collected by businesses are to be remitted to the governing body;

(b) the office, officer, or employee of the governing body responsible for receiving and accounting for the local option luxuries tax receipts;

(c) the office, officer, or employee of the governing body responsible for enforcing the collection of local option luxuries taxes and the methods and procedures to be used in enforcing the collection of local option luxuries taxes due; and

(d) the penalties for failure to report local option luxuries taxes due, failure to remit those taxes due, and violations of the administrative ordinance. The penalties may include:

(i) criminal penalties not to exceed a fine of \$1,000 or 6 months' imprisonment, or both;

(ii) civil penalties if the governing body prevails in a suit for the collection of local option luxuries taxes, not to exceed 50% of the local option luxuries taxes found due plus the costs and attorney fees

incurred by the governing body in the action;

(iii) revocation of a county or municipal business license held by the offender; and

(iv) any other penalties that may be applicable for violation of an ordinance.

(3) The administrative ordinance may include:

(a) further clarification and specificity in what constitutes the retail sale of goods and services that are subject to the local option luxuries tax consistent with [section 3];

(b) authorization for business administration and prepayment discounts. The discount authorization may allow each vendor and commercial establishment to withhold a percentage of the local option luxuries taxes collected to defray its costs for the administration of the tax collection. The percentage rate must be set in the ordinance but may not exceed 5%.

(c) other administrative details necessary for the efficient and effective administration of the local option luxuries tax.

NEW SECTION. Section 6. Local option luxuries tax -- distribution of proceeds by countywide tax -- double taxation prohibited. (1) A local option luxuries tax imposed by a county must be levied countywide, and unless otherwise provided by agreement with municipalities, the county shall distribute local option luxuries tax revenue in the following manner:

(a) Fifty percent of the amount collected must be distributed to the municipalities and the county based on the ratio of the population of the municipalities to the population of the county as derived from the most recent population estimates provided by the U.S. bureau of the census or, if estimates are not available, as derived from the 1990 census.

(b) Fifty percent of the amount collected must be distributed to the municipalities and the county based on the point of origin of the local option luxuries tax revenue.

(2) Before making a distribution under subsection (1), a county shall make a pro rata deduction for its administrative expenses.

(3) A local option luxuries tax may not be levied on the same person or transaction by more than one local government. If the electorate of a county approves a local option luxuries tax after the electorate of a municipality in the county has approved a local option luxuries tax on the same transaction at the same or a higher rate, transactions in the municipality are exempt from the county tax as long as the municipal tax is in effect. If the municipal tax is at a lower rate than the county tax, the governing body of the



1 municipality shall repeal its tax without a vote of the electorate.

2 (4) A local option luxuries tax may not be adopted by a jurisdiction that levies a resort tax under  
3 the provisions of 7-6-4461 through 7-6-4469. If a local option luxuries tax is imposed in a county, the  
4 transactions in a resort area or resort community that imposes a resort tax are exempt from the local option  
5 luxuries tax.

6  
7 NEW SECTION. Section 7. Local government tax -- property tax relief. (1) Annually anticipated  
8 receipts from the local option luxuries tax must be applied to reduce the local government property tax levy  
9 for the fiscal year in an amount not less than 50% of the local option luxuries tax revenue derived during  
10 the preceding fiscal year. The property tax reduction may be implemented only by a reduction in the  
11 number of mills levied.

12 (2) A local government that received more local option luxuries tax revenue than had been included  
13 in the annual budget shall establish a local government property tax relief fund. All local option luxuries tax  
14 revenue received in excess of the budget amount must be placed in the fund. The entire fund must be used  
15 to replace local government property taxes by a reduction in the number of mills levied by the local  
16 government in the ensuing fiscal year.

17  
18 NEW SECTION. Section 8. Codification instruction. [Sections 1 through 7] are intended to be  
19 codified as an integral part of Title 7, and the provisions of Title 7 apply to [sections 1 through 7].

20  
21 NEW SECTION. Section 9. Coordination instruction. If House Bill No. 574 is not passed and  
22 approved, then the bracketed material in [section 3(2)(a)] is void.

23  
24 NEW SECTION. Section 10. Effective date. [This act] is effective July 1, 1995.

25 -END-



## APPENDIX E



Appendix E

# *Significant Features of Fiscal Federalism*

*Volume 1*

*Budget Processes  
and Tax Systems*

1995

ncir





Table 20  
Local Income Taxes: Number and Type of Jurisdiction,  
Selected Years 1976-1994

State <sup>1</sup>	1976	1979	1981	1984	1985	1986	1987	1988	1989	1990	1991	1992	1994
Alabama Cities	6	5	5	8	10	10	10	10	11	11	11	11	18
Arkansas Cities	No cities levy income taxes												
Delaware Cities (Wilmington)	1	1	1	1	1	1	1	1	1	1	1	1	1
Georgia Cities and Counties	No cities or counties levy income taxes												
Indiana Counties	38	37	38	43	44	45	51	68	79	79	76	80	80
Iowa School Districts	3	21	26	57	57	61	57	60	52	59	144	178	379
Kentucky Cities	59	59	59	61	67	78	85	81	84	83	87	86	94
Counties	-	8	8	9	11	14	25	27	26	27	27	29	39
School Districts													7
Maryland Counties (and Baltimore City)	24	24	24	24	24	24	24	24	24	24	24	24	24
Michigan Cities	16	16	16	16	16	17	17	18	19	19	20	20	20
Missouri Cities (Kansas City and St. Louis)	2	2	2	2	2	2	2	2	2	2	2	2	2
New York Cities (New York City and Yonkers)	1	1	1	2	2	2	2	2	2	2	2	2	2
Ohio Cities	385	417	n.a.	460	467	480	482	481	492	506	512	512	523
School Districts	0	0	n.a.	6	6	6	6	5	5	22	52	76	92
Pennsylvania Cities, Boroughs, Towns, Townships, and School Districts	2,553 <sup>c</sup>	2,585 <sup>c</sup>	n.a.	2,644 <sup>c</sup>	2,758 <sup>c</sup>	2,777 <sup>c</sup>	2,782 <sup>c</sup>	2,788	2,795	2,809	2,824	2,830	2,830
Virginia	No cities or counties levy income taxes												
Total (excludes Pennsylvania)	535	597	n.a.	688	707	740	763	779	797	837	873	1,021	1,281
Total (includes Pennsylvania)	3,088 <sup>c</sup>	3,182 <sup>c</sup>	n.a.	3,332 <sup>c</sup>	3,465 <sup>c</sup>	3,517 <sup>c</sup>	3,545 <sup>c</sup>	3,567	3,592	3,646	3,697	3,853	4,111

n.a.-not available  
c estimate

<sup>1</sup> Employer payroll taxes are levied in California, New Jersey, and Oregon. See Table 21 for a description of the tax base.

Sources: ACIR staff compilations based on Commerce Clearing House, *State Tax Guide* (Chicago, 1994); Advisory Commission on Intergovernmental Relations, *Local Revenue Diversification: Local Income Taxes* (Washington, DC, 1988); Alabama League of Municipalities; and Kentucky Department of Local Government.

Table 21  
Local Income Taxes: Rates, Selected Cities and Counties, November 1994  
(percent)

State	City (County)	City Tax Rate		County Tax Rate		Income Tax Based on
		Resi- dent	Non- resi- dent	Resi- dent	Non- resi- dent	
Alabama	Auburn (Lee) Birmingham (Jefferson)	1.0 1.0	1.0 1.0		0.5 0.5	Salaries, wages, commissions, and other earned compensation.
Arkansas	No cities currently levy income taxes					
Delaware	Wilmington (New Castle)	1.25	1.25			Salaries, wages, commissions, and other earned compensation.
Georgia	No cities or counties currently levy income taxes					
Indiana	Bloomington (Monroe) Evansville (Vanderburgh) Fort Wayne (Allen) Indianapolis (Marion) Muncie (Delaware)			1.0 1.0 0.7 0.7 0.8	0.225 0.25 0.25 0.175 0.35	County adjusted gross income. Indianapolis—Marion County is a consolidated government
Iowa	School Districts—As of 1994, 379 school districts levied income surtaxes at rates ranging from 2% to 20%.		School district income surtaxes are based on state income tax liability.			
Kentucky	Lexington (Fayette) Louisville (Jefferson)	2.25 2.2	2.25 1.45	2.5 2.2	2.5 1.45	Salaries, wages, commissions, and other earned compensation. City and county taxes do not overlap. Local school boards levy a county tax on wages and net profits. Lexington—Fayette County is a consolidated government.
Maryland	Baltimore City Montgomery County Prince George's County Worcester County	50.0			60.0 60.0 30.0	All counties and Baltimore City impose local income taxes at 20% to 60% of the state income tax liability.
Michigan	Detroit (Wayne) Flint (Genesee) Grand Rapids (Kent) Lansing (Ingham) Pontiac (Oakland) Saginaw (Saginaw)	3.0 1.0 1.0 1.0 1.0 1.5	1.5 0.5 0.5 0.5 0.5 0.75			All earned and unearned income.
Missouri	Kansas City (Jackson) St. Louis	1.0 1.0	1.0 1.0			Salaries, wages, commissions, and other earned compensation.

*Table 21 (cont.)*  
Local Income Taxes: Rates, Selected Cities and Counties, November 1994  
(percent)

State	City (County)	City Tax Rate		County Tax Rate		Income Tax Based on
		Resi- dent	Non- resi- dent	Resi- dent	Non- resi- dent	
New York	New York City	2.2-3.4	0.45			Salaries, wages, commissions, and other earned compensation. New York City income tax for unmarried residents ranges from 2.2% of the first \$8,000 of city taxable income to 3.4% over \$60,000. In addition to other taxes, city residents are subject to a temporary surcharge on taxable income for taxable years beginning after 1989 and before 1997. Surcharges for unmarried residents range from .51% to .55%. Yonkers residents pay 15% of net state tax (after property tax credit); nonresidents pay 0.5% of wages earned and net earnings from self-employment within the city. In addition, residents are subject to a 2.85% tax on minimum taxable income. For each tax year beginning after 1990 but before 1996, residents are subject to a tax of 14% of the sum of the basic city income tax and surcharge.
	Yonkers (Westchester)	15.0	0.5			
Ohio	Akron (Summit)	2.0	2.0			Earned compensation and corporate net profits. School district taxes are in addition to municipal taxes. Municipal rates range from 0.25% to 2.5%. School district rates range from 0.5% to 1.25%.
	Canton (Stark)	2.0	2.0			
	Cincinnati (Hamilton)	2.1	2.1			
	Cleveland (Cuyahoga)	2.0	2.0			
	Columbus (Franklin)	2.0	2.0			
	Dayton (Montgomery)	1.75	1.75			
	Elyria (Lorain)	1.75	1.75			
	Euclid (Cuyahoga)	2.0	2.0			
	Hamilton (Butler)	2.0	2.0			
	Kettering (Montgomery)	1.75	1.75			
	Lakewood (Cuyahoga)	1.5	1.5			
	Lorain (Lorain)	1.75	1.75			
	Mansfield (Richland)	1.75	1.75			
	Parma (Cuyahoga)	2.0	2.0			
	Springfield (Clark)	2.0	2.0			
	Toledo (Lucas)	2.25	2.25			
	Warren (Trumbull)	1.5	1.5			
	Youngstown (Mahoning)	2.0	2.0			
Pennsylvania	Allentown (Lehigh)	1.0	1.0			Salaries, wages, commissions, and other earned income. Philadelphia resident income tax also based on investment income (unearned income). Pittsburgh rate includes school district income tax rate of 1.875%. Authorized political subdivisions may impose earned income taxes. If overlapping jurisdictions concurrently impose a tax, the rate in each jurisdiction is limited to half of the maximum permissible rate. Municipalities that have adopted a home rule charter may increase the tax above the 1% limit to residents only.
	Altoona (Blair)	1.0	1.0			
	Bethlehem (Northampton)	1.0	1.0			
	Erie (Erie)	1.0	1.0			
	Harrisburg (Dauphin)	1.0	1.0			
	Lancaster (Lancaster)	1.5	0.5			
	Penn Hills (Allegheny)	1.75	1.0			
	Philadelphia	3.46	4.3125			
	Pittsburgh (Allegheny)	2.875	1.0			
	Reading (Berks)	1.0	1.0			
	Scranton (Lackawanna)	2.40	1.0			

Table 21 (cont.)  
Local Income Taxes: Rates, Selected Cities and Counties, November 1994  
(percent)

State	City (County)	City Tax Rate		County Tax Rate		Income Tax Based on
		Resi- dent	Non- resi- dent	Resi- dent	Non- resi- dent	
Taxes are imposed on the total payroll of employers in the following cities:						
California	Los Angeles	0.825				\$30 a year for the first \$4,000 of the payroll expense plus \$7.50 a year for each additional \$1,000 of such expense. Small businesses are exempt.
	San Francisco	1.50				Payroll expenses less than or equal to \$140,000 are taxed at a rate of 1%. Expenses between \$140,001 and \$166,667 are taxed at 1.25%. Expenses greater than \$166,667 are taxed at 1.5%.
New Jersey	Newark	1.00				
Oregon	Clackamas, Multnomah, and Washington counties (Portland area)	0.62				
	Lane County Mass Transit	0.56				Includes financial institutions and corporations that perform services in the transit district service area.

Source: Commerce Clearing House, *State Tax Reporter* (Chicago, 1994). See also Advisory Commission on Intergovernmental Relations, *Local Revenue Diversification: Local Income Taxes* (Washington, DC, 1988).



*Table 27*  
Local Sales Taxes: Number and Type of Jurisdiction, Selected Years, 1976-1994

State	1976	1979	1981	1984	1986	1987	1988	1989	1990	1991	1993	1994
Alabama (Total)	265	301	321	353	374	382	389	398	403	405	415	421
Municipalities		270	281	310	323	326	334	343	344	345	355	359
Counties		31	40	43	51	56	55	55	59	60	60	62
Alaska (Total)	86	93	92	99	97	93	101	101	101	101	101	98
Municipalities		86	85	92	91	87	95	95	95	95	95	93
Boroughs		7	7	7	6	6	6	6	6	6	6	5
Arizona (Total)	38	39	59	70	75	77	81	83	85	92	95	100
Municipalities	38	39	59	70	74	75	79	81	82	81	83	86
Counties	—	—	—	—	1	2	2	2	3	11	12	14
Arkansas (Total)	1	1	2	60	78	111	142	175	185	192	244	261
Municipalities	1	1	2	44	59	76	100	120	131	136	181	192
Counties		—	—	16	19	35	42	55	54	56	63	69
California (Total)*	438	441	441	443	444	445	446	450	460	460	461	465
Municipalities		380	380	380	380	380	380	380	380	380	380	380
Counties		58	58	58	58	58	58	58	58	58	58	58
Special Districts		3	3	5	6	7	8	12	22	22	23	27
Colorado (Total)	121	165	183	205	222	225	235	235	236	238	242	250
Municipalities		144	159	175	191	193	200	200	198	198	200	201
Counties		20	23	29	30	31	34	34	37	39	41	42
Transit District		1	1	1	1	1	1	1	1	1	1	1
Special District	—	—	—	—	—	—	—	—	—	—	—	6
Florida (Total)*								11	23	26	39	45
Counties		—	—	—	0	0	10	10	21	25	38	44
Transit District								1	2	1	1	1
Georgia (Total)*	16	84	104	133	143	144	155	154	165	158	160	160
Municipalities		3	0	0	0	0	0	0	0	0	0	0
Counties		80	103	132	142	143	154	153	164	157	159	159
Transit District		1	1	1	1	1	1	1	1	1	1	1
Illinois (Total)	1,342	1,359	1,359	1,353	1,376	1,375	1,383	1,348	34	53	74	81
Municipalities		1,256	1,256	1,249	1,272	1,271	1,279	1,278	31	42	70	70
Counties		102	102	102	102	102	102	68	0	8	1	8
Transit Districts		1	1	2	2	2	2	2	2	2	2	2
Water District		—	—	—	—	—	—	—	1	1	1	1
Iowa												
Counties							5	9	12	15	19	27
Kansas (Total)	7	20	40	139	168	168	175	178	180	185	198	211
Municipalities		15	35	87	108	108	112	116	119	124	135	142
Counties		5	5	52	60	60	62	62	61	61	63	69
Louisiana (Total)	183	217	251	253	287	302	302	325	325	327	339	340
Municipalities		136	152	158	177	192	193	189	193	195	203	203
Parishes		21	30	30	63	63	63	64	63	63	63	63
School Districts		60	66	65	47	47	46	47	48	48	48	50
Special Districts		7	12	18	23	23	23	25	21	21	25	24
Minnesota												
Municipalities	1	1	1	2	1	3	3	3	3	3	5	5
Missouri (Total)	152	215	333	487	556	657	674	698	725	780	682	687
Municipalities	151	214	332	406	458	474	479	490	508	563	573	580
Counties	1	1		81	98	114	120	126	126	126	109	107
Nebraska												
Municipalities	—	4	7	12	16	22	25	30	41	44	57	64
Nevada (Total)	12	13	1	1	5	7	7	7	7	7	17	9
Municipalities	1	—	—	—	—	—	—	—	—	—	—	—
Counties	11	12	1	1	5	7	7	7	7	7	17	9
New Mexico (Total)	32	99	84	120	134	128	132	134	135	134	136	139
Municipalities		93	76	98	101	100	101	101	102	101	103	106
Counties		6	8	22	33	28	31	33	33	33	33	33

Table 27 (cont.)

## Local Sales Taxes: Number and Type of Jurisdiction, Selected Years, 1976-1994

State	1976	1979	1981	1984	1986	1987	1988	1989	1990	1991	1993	1994
New York (Total)	68	70	74	87	81	85	83	85	87	89	84	79
Municipalities		25	29	29	27	26	28	30	25	27	27	22
Counties		45	45	57	53	58	54	54	61	61	56	56
Transit District	-	-	-	1	1	1	1	1	1	1	1	1
North Carolina												
Counties	96	99	99	100	100	100	100	100	100	100	100	100
North Dakota												
Municipalities	-	-	-	-	3	3	4	5	5	10	24	35
Ohio (Total)	33	51	55	65	76	81	88	90	89	95	95	92
Counties		50	52	62	74	79	83	85	83	86	86	88
Transit Districts		1	3	3	2	2	3	3	4	7	9	4
Oklahoma (Total)	356	398	398	447	466	473	479	492	494	495	521	530
Municipalities	356	398	398	441	452	457	458	468	470	470	476	481
Counties	-	-	-	6	14	16	21	24	24	25	45	49
South Carolina												
Counties	-	-	-	-	-	-	-	-	-	6	15	16
South Dakota (Total)	18	46	61	82	107	111	120	135	139	144	161	169
Municipalities	18	46	61	82	107	111	117	132	136	141	158	166
Indian Reservations	-	-	-	-	-	-	3	3	3	3	3	3
Tennessee (Total)	115	104	105	102	105	105	106	106	104	103	103	104
Municipalities		12	11	8	10	10	11	11	9	8	8	9
Counties		92	94	94	95	95	95	95	95	95	95	95
Texas (Total)	854	946	949	1,120	1,032	1,029	1,107	2,610	1,276	1,291	1,276	1,318
Municipalities		921	921	1,117	1,026	1,023	1,023	2,521	1,164	1,176	1,157	1,193
Counties		-	-	-	-	-	78	82	105	105	105	110
Transit Districts		25	28	3	6	6	6	7	7	7	7	8
Special Districts										3	7	7
Utah (Total)	204	230	n.a.	248	248	248	258	260	251	255	260	259
Municipalities		201	n.a.	219	219	219	222	225	222	226	228	227
Counties		29	29	29	29	29	29	29	29	29	29	29
Transit Districts							7	6	n.a.	n.a.	3	3
Virginia (Total)	133	136	136	136	136	136	136	136	136	136	136	136
Municipalities		41	41	41	41	41	41	41	41	41	41	41
Counties		95	95	95	95	95	95	95	95	95	95	95
Washington (Total)	300	302	302	306	305	307	307	305	307	307	307	308
Municipalities		264	264	267	266	268	267	266	268	268	268	269
Counties		38	38	39	39	39	40	39	39	39	39	39
Wisconsin												
Counties	-	-	-	-	2	12	18	24	28	40	45	47
Wyoming												
Counties	5	13	15	15	14	15	16	19	19	23	20	23
U.S. Total	4,893	5,448	5,702	6,492	6,705	6,892	6,955	8,814	6,155	6,438	6,431	6,579

n.a. not available

- not authorized

## \*State Notes

California	Los Angeles and San Francisco impose a special gross receipts tax.	Georgia	Local School Tax—specified counties are authorized to impose a local sales and use tax for educational purposes.
Florida	Counties may impose a tourist development or impact tax on rentals or leases of living quarters for a term of six months or less.		

Source: ACIR staff compilations based on Commerce Clearing House, *State Tax Reporter* and *State Tax Guide* (Chicago, 1994). See Table 28 for local rates.

Table 28  
State-Local General Sales Taxes: Combined Rates, Selected Cities, June 1995

State	City (County)	State Tax	County Tax	City Tax	Other Tax	Combined State-Local Tax Rate
Alabama	Birmingham (Jefferson)	4.00	1.00	3.00		8.00
	Huntsville (Madison)	4.00		2.50		6.50
	Mobile (Mobile)	4.00	1.00	4.00		9.00
	Montgomery (Montgomery)	4.00	1.50	2.50		8.00
	Tuscaloosa (Tuscaloosa)	4.00	2.00	2.00		8.00
Alaska*	Juneau (Juneau)	—		4.00		4.00
Arizona	Phoenix (Maricopa)	5.00	0.50	1.30		6.70
	Tucson (Pima)	5.00		2.00		7.00
	Yuma (Yuma)	5.00	0.50	1.70		7.20
Arkansas*	Fort Smith (Sebastian)	4.50	1.00	1.00		6.50
	Little Rock (Pulaski)	4.50	1.00	0.50		6.00
	North Little Rock (Pulaski)	4.50	1.00			5.50
California*	Bakersfield (Kern)	6.00	1.25			7.25
	Los Angeles (Los Angeles)	6.00	1.25		1.00	8.25
	Sacramento (Sacramento)	6.00	1.25		0.50	7.75
	San Diego (San Diego)	6.00	1.25		0.50	7.75
	San Francisco (City and County)	6.00	1.25		1.25	8.50
	San Jose (Santa Clara)	6.00	1.25		1.00	8.25
Colorado*	Aurora (Arapahoe)	3.00		3.75	0.60	7.35
	Boulder (Boulder)	3.00		2.86	0.60	6.46
	Colorado Springs (El Paso)	3.00		2.20		5.20
	Denver (Denver)	3.00		3.50	0.80	7.30
	Fort Collins (Larimer)	3.00		3.00		6.00
Connecticut	No local general sales taxes	6.00				6.00
Delaware	No state or local general sales taxes					
District of Columbia				5.75		6.00
Florida*	Fort Lauderdale (Broward)	6.00				6.00
	Jacksonville (Duval)	6.00	0.50			6.50
	Miami (Dade)	6.00	0.50			6.50
	Miami Beach (Dade)	6.00	0.50			6.50
	Orlando (Orange)	6.00				6.00
	St. Petersburg (Pinellas)	6.00	1.00			7.00
	Tallahassee (Leon)	6.00	1.00			7.00
	Tampa (Hillsborough)	6.00	0.50			6.50
Georgia*	Atlanta (Fulton)	4.00	1.00		1.00	6.00
	Columbus (Muscogee)	4.00	1.00			5.00
	Savannah (Chatham)	4.00	1.00			5.00
Hawaii*	No local general sales taxes	4.00				4.00
Idaho*	Boise	5.00				5.00
	Ketchum	5.00		1.00		6.00
	Sun Valley	5.00		2.00		7.00
Illinois*	Chicago (Cook)	6.25	0.75	1.00	0.75	8.75
	Decatur (Macon)	6.25		1.00		7.25
	Peoria (Peoria)	6.25		1.00		7.25
	Rockford (Winnebago)	6.25				6.25
Indiana	No local general sales taxes	5.00				5.00

Table 28 (cont.)  
State-Local General Sales Taxes: Combined Rates, Selected Cities, June 1995

State	City (County)	State Tax	County Tax	City Tax	Other Tax	Combined State-Local Tax Rate
Iowa*	Cedar Rapids (Linn)	5.00				5.00
	Davenport (Scott)	5.00	1.00			6.00
	Des Moines (Polk)	5.00				5.00
	Dubuque (Dubuque)	5.00	1.00			6.00
Kansas*	Kansas City (Wyandotte)	4.90	1.00	1.00		6.90
	Topeka (Shawnee)	4.90	0.25	1.00		6.15
	Wichita (Sedgwick)	4.90	1.00			5.90
Kentucky	No local general sales taxes	6.00				6.00
Louisiana*	Baton Rouge (East Baton Rouge)	4.00	2.00	2.00		8.00
	Monroe (Ouachita)	4.00	0.50	4.00		8.50
	New Orleans (Orleans)	4.00	5.00			9.00
	Shreveport (Caddo)	4.00	1.75	2.50		8.25
Maine	No local general sales taxes	6.00				6.00
Maryland	No local general sales taxes	5.00				5.00
Massachusetts	No local general sales taxes	5.00				5.00
Michigan	No local general sales taxes	6.00				4.00
Minnesota*	Duluth (St. Louis)	6.00	0.50	1.00		7.50
	Minneapolis (Hennepin)	6.00	0.50	0.50		7.00
	Rochester (Olmsted)	6.00	0.50	0.50		7.00
	St. Paul (Ramsey)	6.00	0.50	0.50		7.00
Mississippi	No local general sales taxes	7.00				7.00
Missouri*	Independence (Jackson)	4.225	0.75	1.00		5.975
	Kansas City (Jackson)	4.225	0.75	1.00	0.50	6.475
	St. Louis	4.225		1.875	0.75	6.85
	Springfield (Greene)	4.225	0.50	1.25		5.975
Montana	No state or local general sales taxes					
Nebraska*	Lincoln (Lancaster)	5.00		1.50		6.50
	Omaha (Douglas)	5.00		1.50		6.50
Nevada*	Las Vegas (Clark)	6.50	0.50			7.00
	Reno (Washoe)	6.50	0.50			7.00
New Hampshire	No state or local general sales taxes					
New Jersey	No local general sales taxes	6.00				6.00
New Mexico*	Albuquerque (Bernalillo)	5.00	0.375	0.4375		5.8125
	Santa Fe (Santa Fe)	5.00	0.75	0.5		6.25
New York*	Albany (Albany)	4.00	4.00			8.00
	Buffalo (Erie)	4.00	4.00			8.00
	New York	4.00		4.25		8.25
	Rochester (Monroe)	4.00	4.00			8.00
	Syracuse (Onondaga)	4.00	3.00			7.00
	Yonkers (Westchester)	4.00	2.50	2.50		9.00
North Carolina	Charlotte (Mecklenburg)	4.00	2.00			6.00
	Durham (Durham)	4.00	2.00			6.00
	Raleigh (Wake)	4.00	2.00			6.00
	Winston-Salem (Forsyth)	4.00	2.00			6.00
North Dakota	Fargo (Cass)	5.00		1.00		6.00



Table 28 (cont.)  
State-Local General Sales Taxes: Combined Rates, Selected Cities, June 1995

State	City (County)	State Tax	County Tax	City Tax	Other Tax	Combined State-Local Tax Rate
Ohio*	Akron (Summit)	5.00	1.25			6.25
	Cincinnati (Hamilton)	5.00	0.50			5.50
	Cleveland (Cuyahoga)	5.00	2.00			7.00
	Columbus (Franklin)	5.00	0.75			5.75
	Dayton (Montgomery)	5.00	1.50			6.50
	Toledo (Lucas)	5.00	1.25			6.25
	Youngstown (Mahoning)	5.00	1.00			6.00
Oklahoma	Oklahoma City (Oklahoma)	4.5		3.875		8.375
	Tulsa (Tulsa)	4.50		3.50		8.00
Oregon	No general sales taxes					
Pennsylvania	Philadelphia (City and County)	6.00		1.00		7.00
	No other local general sales taxes					
Rhode Island	No local general sales taxes					
South Carolina	Charleston (Charleston)	5.00	1.00			6.00
South Dakota	Rapid City (Pennington)	4.00		2.00		6.00
	Sioux Falls (Minnehaha)	4.00		2.00		6.00
Tennessee*	Chattanooga (Hamilton)	6.00	1.75			7.75
	Knoxville (Knox)	6.00	2.25			8.25
	Memphis (Shelby)	6.00	2.25			8.25
	Nashville (Davidson)	6.00	2.25			8.25
Texas*	Austin (Travis)	6.25		1.00	0.75	8.00
	Corpus Christi (Nueces)	6.25		1.00	0.50	7.75
	Dallas (Dallas)	6.25		1.00	1.00	8.25
	Fort Worth (Tarrant)	6.25		1.00	0.50	7.75
	Houston (Harris)	6.25		1.00	1.00	8.25
	San Antonio (Bexar)	6.25		1.00	0.50	8.25
	Wichita Falls (Wichita)	6.25		1.00		7.25
Utah*	Ogden (Weber)	5.00	1.00		0.25	6.25
	Provo (Utah)	5.00	1.00		0.25	6.25
	Salt Lake City (Salt Lake)	5.00	1.00		0.25	6.25
Vermont	No local general sales taxes					
Virginia*	Alexandria	3.50		1.00		4.50
	Fairfax County	3.50	1.00			4.50
	Newport News	3.50		1.00		4.50
	Norfolk	3.50		1.00		4.50
	Richmond	3.50		1.00		4.50
Washington*	Seattle (King)	6.50		1.70		8.20
	Spokane (Spokane)	6.50		1.50		8.00
	Tacoma (Pierce)	6.50		1.40		7.90
West Virginia	No local general sales taxes					
Wisconsin*	Madison (Dane)	5.00	0.50			5.50
	Milwaukee (Milwaukee)	5.00	0.50			5.50
	Racine (Racine)	5.00				5.00
Wyoming*	Cheyenne (Laramie)	4.00	2.00			5.00
	Lincoln	4.00	1.00			4.00



## \*State Notes

Alaska	Boroughs may levy a sales and use tax not to exceed 6.0%. Cities outside boroughs may levy a tax not to exceed 3.0%. Cities within boroughs may levy a sales or use tax on all sources taxed by the borough in the manner provided for boroughs, but may not exceed 6.0%. City sales taxes are in addition to borough sales taxes.	
Arkansas	Subject to voter approval, counties are authorized to levy local sales and use taxes for a variety of purposes. Specified municipalities also may impose a sales and use tax, subject to voter approval, for a variety of purposes.	
California	All counties have adopted a 1.25% sales tax. Cities may levy a conforming 1.0% tax and counties must allow a credit of 1.0% against the county rate. The board of any county may levy a tax at a rate of 0.25% or 0.5%, or establish an authority for specific purposes, which may levy a 0.25% or 0.5% sales and use tax, subject to voter approval. The Local Transportation Authority and Improvement Act authorizes the imposition of a voter-approved tax by any local transportation authority. The tax rate may be 0.25%, 0.5%, 0.75%, or 1.00%. Several districts are authorized to impose a tax to fund public mass transit, transportation and traffic, public education, libraries, justice facilities, drug abuse prevention, crime prevention, health care services, etc. In addition to the sales and use taxes, Los Angeles and San Francisco impose special gross receipts taxes.	
Colorado	Counties and incorporated cities and towns may levy sales taxes with voter approval. The regional transportation district (City and County of Denver and portions of Adams, Arapahoe, Jefferson, Boulder, and Douglas counties) levies a 0.6% sales tax. A 0.1% tax applies to all sales subject to the transportation tax for the Denver Metropolitan Scientific and Cultural Facilities District, and an additional 0.1% tax for the Denver Metropolitan Baseball Stadium District. Public highway authorities may levy sales and use taxes not to exceed 0.4%. Board of county having a population greater than 100,000, with voter approval, may fund specified local improvements by levying a sales tax not to exceed 0.5% through the local improvement district.	
Florida	The governing body in each county may levy (1) a charter county transit system surtax at a rate not to exceed 1%, (2) a local government infrastructure surtax for up to 15 years at the rate of 0.5% or 1%, (3) a small-county surtax of 0.5% or 1%, (4) an indigent care surtax not to exceed 0.5% (may not be imposed after 10/1/98 or if (5) or (6) below are imposed), (5) a county	public hospital surtax of 0.5%, or (6) a small-county indigent care surtax of 0.5%. County taxes imposed under (2), (3), (4), (5), and (6) may not exceed 1%.
	Georgia	General Assembly has authorized the imposition of joint county and municipal sales and use taxes. It created special districts, based on county lines, which may impose a 1.0% tax. Specified counties are authorized to impose a local sales and use tax for educational purposes. Governing bodies that enter into rapid transit contracts with the Metropolitan Atlanta Rapid Transit Authority may levy sales and use taxes at the rate of 1% until 6/30/2032 and 0.5% thereafter (Fulton, DeKalb, Cobb, Clayton, or Gwinnett counties or the City of Atlanta). No tax may be levied unless the tax is imposed in Fulton and DeKalb counties.
	Hawaii	Hawaii counties (except Kalawao County) may impose a 0.5% general excise (sales) and use tax surcharge to provide funds for public mass transit projects from January 1, 1993, through December 31, 2002.
	Idaho	Cities that derive a major portion of their economic well-being from tourism may impose a sales tax on all sales subject to taxation under the state Sales and Use Tax Act, subject to voter approval.
	Illinois	Home rule cities may impose sales taxes at 0.25% increments, which will be collected by the state department of revenue. Counties and municipalities may impose a sales tax not to exceed 1.0%. City sales taxes are in addition to any county and transit sales taxes. Two transit districts levy an additional sales tax of 0.25% or 0.75%. Chicago imposes its own sales and use tax of 1%.
	Iowa	Counties are authorized to levy a local sales and service tax at a rate not to exceed 1%, with voter approval.
	Kansas	If approved by the voters, Class A and Class C cities may levy 0.25%, 0.5%, 0.75%, or 1% retail sales taxes; Class B cities, 0.25% to 2% in 0.25% increments; and Class D cities, 0.25% to 1.75% in 0.25% increments. Class D cities, with voter approval, may impose an additional 0.5% or 0.75% sales tax. A board of county commissioners may levy the tax at 0.5% or 1%; certain counties may levy the tax at 0.25%, 1.5%, or 2%. The rate of a county-imposed tax may be equal to the sum of the rate allowed to be imposed by a board of county commissioners on 7/1/92 plus 0.25%, 0.5%, 0.75%, or 1%. After voter approval, a city or county may impose an additional 0.25%, 0.5%, 0.75%, or 1% tax to fund health care services. Any county

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## \*State Notes (cont.)

	that is part of the Kansas and Missouri culture district must impose a countywide sales tax not to exceed 0.25%, subject to voter approval.	New York	An additional 0.25% sales tax for the Metropolitan Commuter Transit District is imposed in New York City and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester. Yonkers preempts a portion of the county tax.
Louisiana	Any local subdivision or school board, with voter approval, may levy a sales tax not exceeding 3% when combined with other local sales taxes.	Ohio	Counties may impose a sales tax not to exceed 1.5%. An additional transit tax is imposed in several counties, but may not exceed 1.5%.
Minnesota	Counties are authorized to impose a 0.5% local option general sales and use tax. Specified cities are authorized to impose a general sales tax.	Tennessee	If a county levies a tax less than one-half of the state rate, a city may levy only the difference. If a city or county adopts a local option base, then the sales tax may not exceed \$5 on the sale of any single item of personal property if the local tax rate does not exceed 1% and may not exceed \$7.50 whenever the tax rate exceeds 1%.
Missouri	Cities may impose a 0.5%, 0.875%, or 1% sales tax, except St. Louis, which may impose a 1.375% tax. Municipalities, with some exceptions are authorized to impose an additional sales (capital improvements) tax of 0.125%, 0.25%, 0.0375%, or 0.5%, subject to voter approval. A transportation tax up to 0.5% may be imposed by specified local governments. Transportation development districts may impose a sales tax at an unspecified rate if approved by local voters. Counties are authorized to impose local sales taxes under several statutes, all subject to voter approval.	Texas	A county that is not located in a rapid transit authority or a regional transportation authority may adopt a sales or use tax, subject to voter approval, to reduce property taxes. Qualified cities may levy an additional 0.5% local sales tax to reduce city property taxes, or with voter approval if there is no property tax. Cities located in a county with a population over 750,000 are authorized to levy an additional 0.5% tax, if approved by voters, not to exceed a combined state-local rate of 7.25%.
Nebraska	Metropolitan class, primary class, and first and second class cities may impose up to a 1.5% sales and use tax, subject to voter approval.	Utah	Cities and counties may impose a sales tax of 0.75% or 1%. Cities in the counties that impose the tax receive a portion of the revenues. Cities and counties also may levy a 0.25% transit tax. Resort communities may include an additional sales tax of up to 1.0%. City and county taxes do not overlap.
Nevada	The state sales tax of 6.5% includes 4.5% for local school support and city-county relief. Counties may levy an additional tax for public transportation, road construction, or tourism.	Virginia	Cities are independent of counties in Virginia. Every city and county imposes a 1.0% sales tax; total combined statewide sales tax is 4.5%.
New Mexico	Municipalities may impose an excise tax at the rate of up to 1.25%, and until 7/1/96, a special municipal gross receipts tax at a rate not to exceed 0.25%. Municipalities are authorized to levy an excise tax not to exceed 0.125% (infrastructure gross receipts tax) on any person engaging in business. A county fire protection excise tax may be imposed at 0.125% or 0.25% of gross receipts. Counties that meet certain property tax rate requirements may impose a 0.375% gross receipts tax. Subject to voter approval, counties that meet certain population, property tax, and severance tax requirements may impose a 0.5% local hospital gross receipts tax and a 0.125% special county hospital gross receipts tax for up to 10 years. A majority of the members of the governing body of a county may enact an ordinance imposing a county health care gross receipts tax at a rate of 1/16 of 1%. Municipalities and counties may impose an environmental services gross receipts tax at 0.0625% (municipal) and 0.125% (county).	Washington	Cities and counties may levy a local sales and use tax of 0.5%. They also are authorized to levy an additional sales tax not to exceed 0.6% for transportation. Counties must allow a credit for the full amount of any city sales and use taxes. If the county in which the city is located imposes a sales and use tax, the city tax rate may not exceed .425%. Counties and cities may levy an additional 0.5% if approved by voters.
		Wisconsin	<u>The county sales and use taxes may be imposed only for the purpose of directly reducing the property tax levy.</u>
		Wyoming	Counties may levy an additional capital improvement tax not to exceed 1%, subject to voter approval.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter* (Chicago, 1994). See also Table 27.





